

Chapter 14

Horizon Financial Planning Business Scenario

Description of Company – Horizon Financial Planning

After many years with his company, Barry Williams was caught by the entrepreneurial spirit. After carefully saving up enough seed capital and convincing a recently unemployed colleague to join him, he developed a well thought-out business plan and started Horizon Financial Planning (HFP).

Barry saw great opportunities. He lives in a large metropolitan city in Texas, close to several regional colleges and large universities, as well as hundreds of medium to large corporations. He plans to offer financial planning, investment and estate planning seminars, plus related consulting services to individual, corporate and institutional clients. Furthermore, his business plan includes the purchase and promotion of planning kits, along with several popular books and instructional DVDs related to achieving financial stability and success, which he will sell at corporate and collegiate brown-bag lunch seminars. Several times a year he conducts large seminars on financial planning and building wealth. He also offers companion seminars on estate planning and minimizing taxes.

To control his new start-up, he selected QuickBooks software to help manage the business operations while fulfilling fiduciary responsibilities from an accounting, tax and record-keeping perspective. To launch the company, he has hired a full time employee, Shelly James, and a part-time employee, Atasha Williams. He has leased 1,200 square feet of downtown office space.

Using QuickBooks and the sample file (Horizon-12.QBW), you will record initial start-up costs, complete one month of business transactions, including purchases, sales, deposits, accounts receivable, accounts payable, payroll and taxes as well as track inventory and reconcile a bank account. In the end, you will answer several questions about the finances for Horizon Financial Planning.

Company Set Up

Restore this File

This chapter uses Horizon-12.QBW. To open this file, restore the Horizon-12.QBM file to your hard disk.

The company file for this exercise is mostly set up for you, including Accounts, Customers, Vendors, Employees, Payroll, Classes, Items and Fixed Asset Items.

Instructions

1. Restore the Horizon-12.QBM file to Horizon-12.QBW file.
2. Enter the transactions for October 2015 beginning on page 440.
3. Reconcile the bank statement for October for the statement shown on page 448.
4. Prepare the following reports and graphs:
 - a) Standard Balance Sheet as of 10/31/2015
 - b) Standard Profit and Loss for October 2015
 - c) Profit and Loss by Class for October 2015
 - d) Statement of Cash Flows for October 2015
 - e) Sales by Item Summary for October 2015
 - f) Graph – Sales by Month by Customer for October 2015
 - g) Inventory Valuation Summary as of 10/31/15
5. Back up your data file to Horizon-12Complete.QBM.
6. Complete the analysis questions on page 447.

Business Transactions

October 2015

Oct	Business Transaction	Transaction Details
1	Deposit owner investment from Barry Williams to provide cash for operations.	Transaction type: Deposit Deposit to: Checking-Texas National Bank Date: 10/1/2015 Memo: Deposit Owner's Investment From Account: Investments (Equity Account) Check #401 Class: Admin/Other Amount: \$40,000.00
1	Issued Purchase Order to Texas Media and Publications to order Books and DVDs.	Transaction type: Purchase Order Vendor: Texas Media & Publications Class: Product Sales Date: 10/1/2015 PO#: 2015-101 Items: Books (100 @ \$25.00) DVDs (100 @ \$15.00) Memo: Order Books and DVDs Total purchase order is \$4,000.00
1	Paid rent plus refundable deposit to Braten Investments.	Transaction type: Check Pay to the Order of: Braten Investments Check#: 1001 Date: 10/1/15 Memo: October Rent plus \$1,500 Deposit Expense: Rent - \$1,500.00 Expense: Refundable Deposits (Other Current Asset) - \$1500.00 Total Check: \$3,000.00 Class: Admin/Other

Oct	Business Transaction	Transaction Details
1	Issued Purchase Order to Office Supply Depot for office equipment.	Transaction type: Purchase Order Vendor: Office Supply Depot Class: Admin/Other Date: 10/1/2015 PO#: 2015-102 Items: Laptop PC \$2,500.00, Copier \$1,100.00, Fax Machine \$750.00, Projector \$2,500.00 Memo: <i>Purchase office equipment</i> Total purchase order is \$6,850.00 Note: The items are already added to the Fixed Asset Item list.
1	Issued Purchase Order to Lone Star Office Supply for office supplies.	Transaction type: Purchase Order Vendor: Lone Star Office Supply Class: Admin/Other Date: 10/1/2015 PO#: 2015-103 Item: Office Supplies (\$360.00) Memo: <i>Purchase office supplies</i> Total purchase order is \$360.00
4	Received bill from Office Supply Depot.	Transaction type: Receive Items & Enter Bill Vendor: Office Supply Depot PO #: 2015-102 ⇒ Items and Class auto fill from PO. Date: 10/4/2015 Bill Due: 11/3/2015 Amount: \$6,850.00 Terms: Net 30 Ref No: 68-20 Memo: <i>Office Equipment</i>
4	Received bill from Lone Star Office Supply for supply items.	Transaction type: Receive Items & Enter Bill Vendor: Lone Star Office Supply PO #: 2015-103 ⇒ Items and Class auto fill from PO. Date: 10/4/2015 Bill Due: 11/3/2015 Amount: \$360.00 Terms: Net 30 Ref No: 6433 Memo: <i>Office Supplies</i>
4	Issued check to Office Furniture Rentals, Inc. for rental of office furniture for October.	Transaction type: Check Pay to the Order of: Office Furniture Rentals, Inc. Check#: 1002 Date: 10/4/2015 Memo: <i>Furniture Rental</i> Expense: Equipment Rental (\$882.00) Class: Admin/Other Memorize the check, using <i>Don't Remind me</i> option.

Oct	Business Transaction	Transaction Details
4	Received bill from Texas Media and Publications.	Transaction type: Receive Items & Enter Bill Vendor: Texas Media & Publications PO #: 2015-101 ⇒ Items and Class auto fill from PO. Date: 10/4/2015 Bill Due: 11/3/2015 Amount: \$4,000.00 Terms: Net 30 Ref No: 8736 Memo: Books and DVDs
8	Enter a Weekly timesheet for Atasha Williams' hours.	Transaction type: Weekly timesheet Name: Atasha Williams Week of: Oct 5 to 11, 2015 Payroll Item: Regular Wages WC Code: Leave Blank Mon: 8 hours Tues: 4 hours Wed: 8 hours Thurs: 4 hours Fri, Sat, Sun: 0 hours Billable?: Not Billable
14	Received bill from Texas Media & Publications. These non- inventory products were ordered by telephone without issuing a PO.	Transaction type: Bill Vendor: Texas Media and Publications Date: 10/14/2015 Bill Due: 11/13/2015 Amount: \$1,250.00 Terms: Net 30 Ref No: 8100 Memo: Planning Kits Item: Planning Kits – 50 Units @ \$25 Class: Product Sales
15	Enter a Weekly timesheet for Atasha Williams' hours.	Transaction type: Weekly timesheet Name: Atasha Williams Week of: October 12 to 18, 2015 Payroll Item: Regular Wages Mon: 8 hours Tues: 4 hours Wed: 8 hours Thurs: 4 hours Fri, Sat, Sun: 0 hours Billable?: Not Billable
17	Pay employees for payroll period 10/01/2015 – 10/15/2015.	Pay Period Ends: 10/15/15 Paycheck Date: 10/16/2015 Bank Account: Checking – Texas National Bank Atasha Williams: 48 hours Shelly james: Salary Starting Check Number: 1003

Oct	Business Transaction	Transaction Details
19	Received bill from Image Contacts, Inc. for printing and mailing of flyers.	Transaction type: Bill Vendor: Image Contacts, Inc. Date: 10/19/2015 Bill Due: 11/18/2015 Amount: \$1,770.00 Terms: Net 30 Ref No: 8869 Memo: Printing and Mailing Flyers Expense: Advertising and Promotion Class: Consulting/Seminars
21	Received bill from Rash Productions for consulting fees for an upcoming seminar to be conducted.	Transaction type: Bill Vendor: Rash Productions Date: 10/21/2015 Bill Due: 11/20/2015 Amount: \$800.00 Terms: Net 30 Ref No: 8248 Memo: Consulting Fees Expense: Professional Fees Class: Consulting/Seminars
22	Enter a Weekly timesheet for Atasha Williams' hours.	Transaction type: Weekly timesheet Name: Atasha Williams Week of: October 19 to 25, 2015 Payroll Item: Regular Wages Mon: 8 hours Tues: 4 hours Wed: 8 hours Thurs: 4 hours Fri, Sat, Sun: 0 hours Billable?: Not Billable
24	Conducted an on-site brown-bag lunch seminar at Computer Manufacturers USA.	Transaction type: Sales Receipt Customer: Seminar Sales Summary Class: Product Sales Date: 10/24/2015 Sale No: 2015-101 Check No.: Leave Blank Payment Method: Check Items: Books (22 @ \$50.00) DVDs (16 @ \$40.00) Planning Kits (14 @ \$100.00) Texas sales tax applies. Total: \$3,399.05 Memo: Computer Manufacturers USA Seminar Sales

Oct	Business Transaction	Transaction Details
24	Prepare Invoice to Computer Manufacturers USA for on-site seminar conducted on this date.	Transaction type: Invoice Customer: Computer Manufacturers USA Class: Consulting/Seminars Template: Horizon Invoice Date: 10/24/2015 Invoice #: 2015-101 Terms: Due on Receipt Items: Seminar (1 @ \$5,000.00) Total: \$5,000.00 Memo: Computer Manufacturers USA Onsite Seminar
25	Received check from Computer Manufacturers.	Transaction type: Payment Customer: Computer Manufacturers USA Date: 10/25/2015 Amount: \$5,000.00 Check No: 1069 Payment Method: Check Memo: Payment Received – Inv. #2015-101 Apply to: Invoice #2015-101
26	Issued check to Education & Medical Fund for contributions.	Transaction type: Check Check#: 1005 Date: 10/26/2015 Pay to the Order of: Education & Medical Fund Amount: \$500.00 Memo: Charitable Contribution Expense: Charitable Contributions Class: Consulting/Seminars
28	Enter a Sales Receipt to record the product sales at the seminar given at Energy Corporation of Texas	Transaction type: Sales Receipt Customer: Seminar Sales Summary Class: Product Sales Date: 10/28/2015 Sale No: 2015-102 Check No.: Leave Blank Payment Method: Check Items: Books (42 @ \$50.00) DVDs (36 @ \$40.00) Planning Kits (27 @ \$100.00) Texas sales tax applies. Total: \$6,754.80 Memo: Energy Corp. of Texas Seminar Sales
28	Prepare Invoice for Energy Corporation of Texas for on-site seminar conducted on this date.	Transaction type: Invoice Customer: Energy Corporation of Texas Class: Consulting/Seminars Date: 10/28/2015 Invoice #: 2015-102 Terms: Due on Receipt Items: Seminar (1 @ \$5,000.00) Total: \$5,000.00 Memo: Energy Corp of Texas Onsite Seminar

Oct	Business Transaction	Transaction Details
28	Received bill from Texas Light & Power.	Transaction type: Bill Vendor: Texas Light & Power Date: 10/28/2015 Bill Due: 11/27/2015 Amount: \$214.00 Terms: Net 30 Ref No: 925586 Memo: Utility Bill Expense: Utilities Class: Admin/Other
28	Received bill from South Texas Bell for telephone.	Transaction type: Bill Vendor: South Texas Bell Date: 10/28/2015 Bill Due: 11/27/2015 Amount: \$129.00 Terms: Net 30 Ref No: 987543 Memo: Telephone Bill Expense: Telephone Expense:Office Phone Class: Admin/Other
29	Enter a Weekly timesheet for Atasha Williams' hours.	Transaction type: Weekly timesheet Name: Atasha Williams Week of: October 26 to November 1, 2015 Payroll Item: Regular Wages Mon: 8 hours Tues: 4 hours Wed: 8 hours Thurs: 4 hours Fri, Sat, Sun: 0 hours Billable?: Not Billable
31	Received check from Energy Corporation of Texas.	Transaction type: Payment Customer: Energy Corporation of Texas Date: 10/31/2015 Amount: \$5,000.00 Check No: 2021 Payment Method: Check Memo: Payment Received – Inv #2015-102 Apply to: Invoice #2015-102
31	Pay employees for time worked during payroll period 10/16/2015 through 10/31/2015.	Pay Period Ends: 10/31/15 Paycheck Date: 11/02/15 Bank Account: Checking – Texas National Bank Atasha Williams: 48 hours Shelly James: Salary Starting Check Number: 1006
31	Deposit funds held in Undeposited Funds account to Texas State Bank.	Transaction type: Deposit Deposit to: Checking-Texas National Bank Memo: Deposit Date: 10/31/2015 Total Deposit Amount: 20,153.85

Oct	Business Transaction	Transaction Details
31	Pay all bills in a batch sorted by Vendor. Pay from the Checking-Texas National Bank account, and create "To be Printed" checks.	Select Pay Bills , and then pay the following bills: Image Contacts, Inc., for \$1,770.00 Lone Star Office Supply for \$360.00 Office Supply Depot for \$6,850.00 Rash Productions, Inc. for \$800.00 South Texas Bell for \$129.00 Texas Light & Power for \$214.00 Texas Media & Publications for \$4,000.00 Texas Media & Publications for \$1,250.00 Total payments: \$15,373.00 Bill Payment Date: 10/31/2015
31	Print all checks (Chk#1008-1014).	#1008 – Image Contacts, Inc. #1009 – Lone Star Office Supply #1010 – Office Supply Depot #1011 – Rash Productions, Inc. #1012 – South Texas Bell #1013 – Texas Light & Power #1014 – Texas Media & Publications
31	Issued check to Clover Computing for computer repairs.	Transaction type: Check Pay to the Order of: Clover Computing Check#: 1015 Date: 10/31/2015 Memo: Computer Repairs Expense: Computer & Internet Expenses Class: Admin/Other Total: \$500.00

Analysis Questions

Use the completed reports and template file to answer the following questions. Write your answer in the space to the left of each question.

1. _____ What is the net income or net loss for October?
2. _____ What is the total Cost of Goods Sold for October?
3. _____ What is the total amount of payroll expenses (gross wages and payroll taxes) for October?
4. _____ What is the gross profit for October?
5. _____ What is the total Product Revenue for October?
6. _____ What is the amount of rent paid for October?
7. _____ What is the Total Income for the Consulting/Seminars Class for October?
8. _____ What is the amount of Fixed Assets on October 31?
9. _____ What is the Total Liabilities on October 31?
10. _____ What is the net cash increase for October?
11. _____ What percentage of October total sales was the Seminar Item?
12. _____ What percentage of October total sales was sold to Energy Corporation of Texas in October?
13. _____ How much does Horizon Financial Planning have in total assets on October 31?
14. _____ How many books does Horizon Financial Planning have on hand as of October 31?

Business Checking Account		
Statement Date:	October 31, 2015	Page 1 of 1
Summary:	Horizon Financial Planning	
Previous Balance as of 9/30/15	\$	-
Total Deposits and Credits: 2	+ \$	60,153.85
Total Checks and Debits: 15	- \$	19,755.00
Total Interest Earned	+ \$	-
Total Service Charge: 1	- \$	10.00
Statement Balance as of 10/31/15:	= \$	40,388.85
Deposits and Other Credits:		
DEPOSITS		
Date	Description	Amount
1-Oct	Customer Deposit	\$ 40,000.00
31-Oct	Customer Deposit	\$ 20,153.85
2 Deposits:		\$ 60,153.85
Checks and Other Withdrawals:		
CHECKS PAID:		
Check No.	Date Paid	Amount
1001	1-Oct	\$ 3,000.00
1002	5-Oct	\$ 882.00
1005	28-Oct	\$ 500.00
1008	31-Oct	\$ 1,770.00
1009	31-Oct	\$ 360.00
1010	31-Oct	\$ 6,850.00
1011	31-Oct	\$ 800.00
1012	31-Oct	\$ 129.00
1013	31-Oct	\$ 214.00
1014	31-Oct	\$ 5,250.00
15 Checks Paid:		\$ 19,755.00
INTEREST		
Date	Description	Amount
Interest:		\$ -
OTHER WITHDRAWALS/PAYMENTS		
Date	Description	Amount
0 Other Withdrawals/Payments:		\$ -
SERVICE CHARGES		
Date	Description	Amount
31-Oct	Service Charge	\$ 10.00
1 Service Charge:		\$ 10.00

Figure 14-1 October Bank Statement

Note:

Paychecks are calculated using the tax tables loaded on your computer. In this scenario, we have intentionally not included the paychecks in these bank statements to make the reconciliation consistent for readers using different tax tables.